



**SE BEND SEPTIC TO SEWER
ADVISORY COMMITTEE MEETING**

THURSDAY, MAY 10, 2018

WELCOME & INTRODUCTIONS



- Report from AC Work Groups
- Committee Q&A/Discussion
- Affordability
- Committee Discussion/Q&A
- Electronic Polling
- Public Comment
- Look Ahead: *Focus on Program Components*



REPORT FROM AC WORK GROUPS



- Timely solutions (finished within 10 years)
- Solutions property owners understand and support
- Durable solutions: good for 50-100 years
- Equitable, fair, affordable
- Financially feasible
- Shared responsibility
- Reasonable, practical
- Replicable



Preliminary Work Product Points of Discussion:

1. Adopt a formal sewer system improvement & clean water policy to decommission all 2,800 septic tanks in the City of Bend over the next (approx.) 15 years.
2. Establish a formal Septic Tank Elimination Program (STEP) and hire a full-time coordinator to staff the program in July 2018 through completion.

SMALL GROUP FRAMEWORK



3. Focus on the project area in Southeast Bend (599 lots) as the first area to be converted- because of SEI construction, the engineering investment, and the age of many tanks in the area. Complete Class I engineering in 2018 and begin construction to in 2019. All properties should hook-up to the sewer system within 90 days of availability.
4. “Bundle” construction, selecting qualified contractor(s) able to complete the public and private property work. Bundling will be beneficial in containing costs and assuring timely, coordinated hookups. A city liability waiver should be signed by each participating homeowner in exchange for a fixed, reduced cost of private property work.
5. Promote elimination of septic tanks, which benefits everyone in Bend. Like other major public works projects, it is a shared responsibility of the City, sewer ratepayers and homeowners with septic tanks to invest in this initiative.

SMALL GROUP FRAMEWORK



6. Establish a modest time-limited monthly STEP fee charged to all City sewer ratepayers to support the program and promote clean water and septic elimination. Everyone, including the 2,800 new septic to sewer ratepayers, would pay this fixed monthly fee.
7. Encourage an affordable transition from septic to sewer. Costs to a septic homeowner should not exceed \$25,000 per lot or \$250 a month in today's dollars. Costs should be shared equitably by all 599 properties and should include private property and a portion of public property costs for either the connector lines with the SEI or the new connector lines.
8. For lots in the project area and adjacent to the SEI, any private sewer improvements to date should be credited against the \$25,000 cap. For lots requiring a pump for connection to the gravity system, those costs should also be credited against the cap.

SMALL GROUP FRAMEWORK



9. Implement a Safety Net Program, possibly with Craft3 (potentially with city funding), to create an affordable payment option for low-income residents unable to pay the total or monthly amount.
10. Implement a surcharge or other improvement district as a legal mechanism to apply costs and lien properties to assure payment by all septic homeowners in the project area.
11. The Committee should complete its report in June 2018 and present to City Council in July. The goal is to establish the citywide program in 2018 and begin implementation in 2019.

COMMITTEE Q&A



PROGRAM ELEMENTS - AFFORDABILITY



LOCAL IMPROVEMENT DISTRICTS

SEPTIC TO SEWER

May 10, 2018

Mary A. Winters, City Attorney
City of Bend

WHAT IS A LID?



- An area Council determines should be benefitted by a public improvement
- LIDs are a financing tool—process is about financing infrastructure improvements, not constructing them
- The goal is to assess property owners as fairly as possible in relation to special benefit received
- Cannot include private improvements (sewer and water laterals that are on the property of the customer) in the LID project

VALUE THAT LIDs OFFER



- Comprehensive rather than piecemeal infrastructure
- Assurance of performance via public project
- One time payment or installment payments available for benefitted properties
- Avoids diseconomy of scale for single property owners



- LID may be initiated by Council on its own motion or by petition of owners of at least half of the properties benefited by the proposed public improvement.
- First step: Council directs a preliminary engineer's estimate, which includes boundaries of the project, list of parcels, estimate of probable cost (including design, construction and administrative costs), recommendation of assessment method, and estimate of cost per unit to properties.

FORMATION HEARING



- City mails notice to property owners in proposed district at least ten days prior to hearing, with description of improvement, estimate of cost, statement of where preliminary engineer's report can be obtained, method of assessment and allocation of costs (including any public funding).
- Statement that costs and proposed method of assessment are estimates only; actual costs to be determined after construction is complete.
- At the hearing, Council considers oral and written testimony. If property owners owning 2/3 of property area within the district remonstrate against the improvement, Council does not proceed (cannot protest if owner signed waiver of remonstrance. Exception: Council unanimously finds the improvement is needed because of an emergency or public health concern).

HOW IS THE LID FINANCED AND REPAID?



- LID financing is generally through the sale of bonds to investors (Bancroft Bonding Act)
- Bonds are repaid by LID assessments on benefiting properties
- Owners can pay assessments in full or by installments
- Financing costs include interest and debt issuance costs
- Lien against benefited property is security for repayment per ORS 223.393



Affordability Agenda

- Project Area Demographics
- Safety Net Program
- Craft3 Clean Water Loans

PROJECT AREA DEMOGRAPHICS



Age	46.7 years vs. 39.6 Bend median
Incomes	\$59k /household – just above citywide ratio
Family	53% married couples without children at home
Housing	Average built in 1988 vs. 1998 Bend average
Home Ownership	87% vs. 59% citywide
Poverty	9.9% families below poverty – nearly all include children

PRIZM LIFESTYLE SEGMENTATION ^{1,2}



Most Study Area Households are Categorized as “Mature” and “Suburban”

- #1** (27% of households): upper mid income, age 50+, no children at home, enjoy reading and crafts, average tech use
- #2** (12%): upper middle income (but low accumulated assets), college educated couples, under 50, some kids at home, average tech use
- #3** (11%): upper mid income, 65+, no kids, active lifestyles, below average tech use
- #4** (10%): upper income, older couples – 50+, few kids at home, vacation often, listen to talk radio, average tech use
- #5** (9%): below mid income, unmarried, under 50, middle age, mid-career, few kids, enjoy sports and entertainment, average tech use

1) These segments are distinctly different from the rest of Bend – 3 to 4 times the citywide average.

2) Of the 53 remaining segments, only 3 account for more than 5% of study area households.

INCOME PRODUCING ASSETS (IPA)



...But Financial Capacity Varies Widely

Class	Household IPA	%*
Millionaires	\$1m or greater	
Elite	\$450k or greater	48%
High	\$250k or higher	
Above Average	\$100k - \$250k	
Moderate	\$50k - \$100k	
Below Average	\$25k - \$50k	9%
Low	Less than \$25k	11%

*The remaining 32% of households are scattered across all classes

FINANCIAL REALITY FOR MANY AMERICANS – 50/50/50

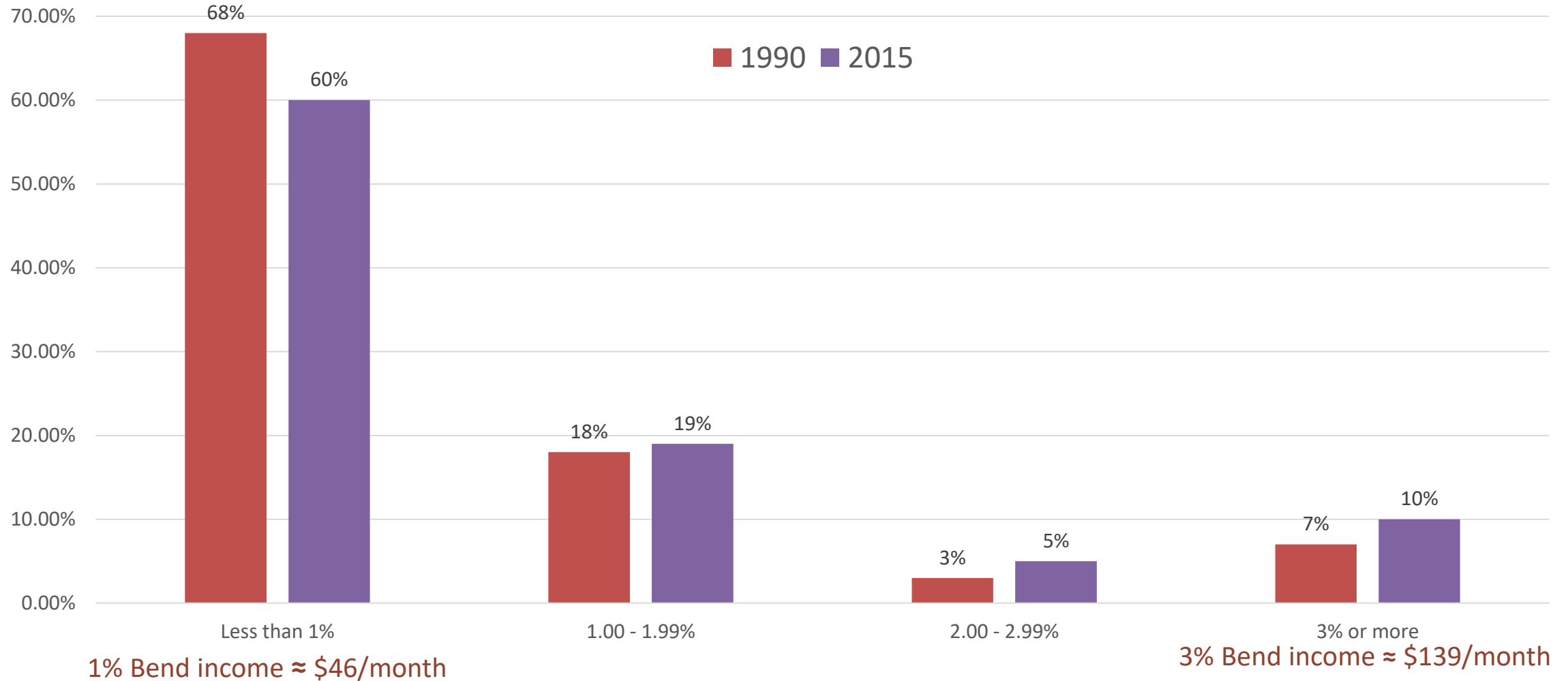


- 50% of Americans
- Over 50 years old
- Have less than \$50k saved for retirement



ACROSS U.S. – UTILITY BILLS RISING FASTER THAN INCOMES

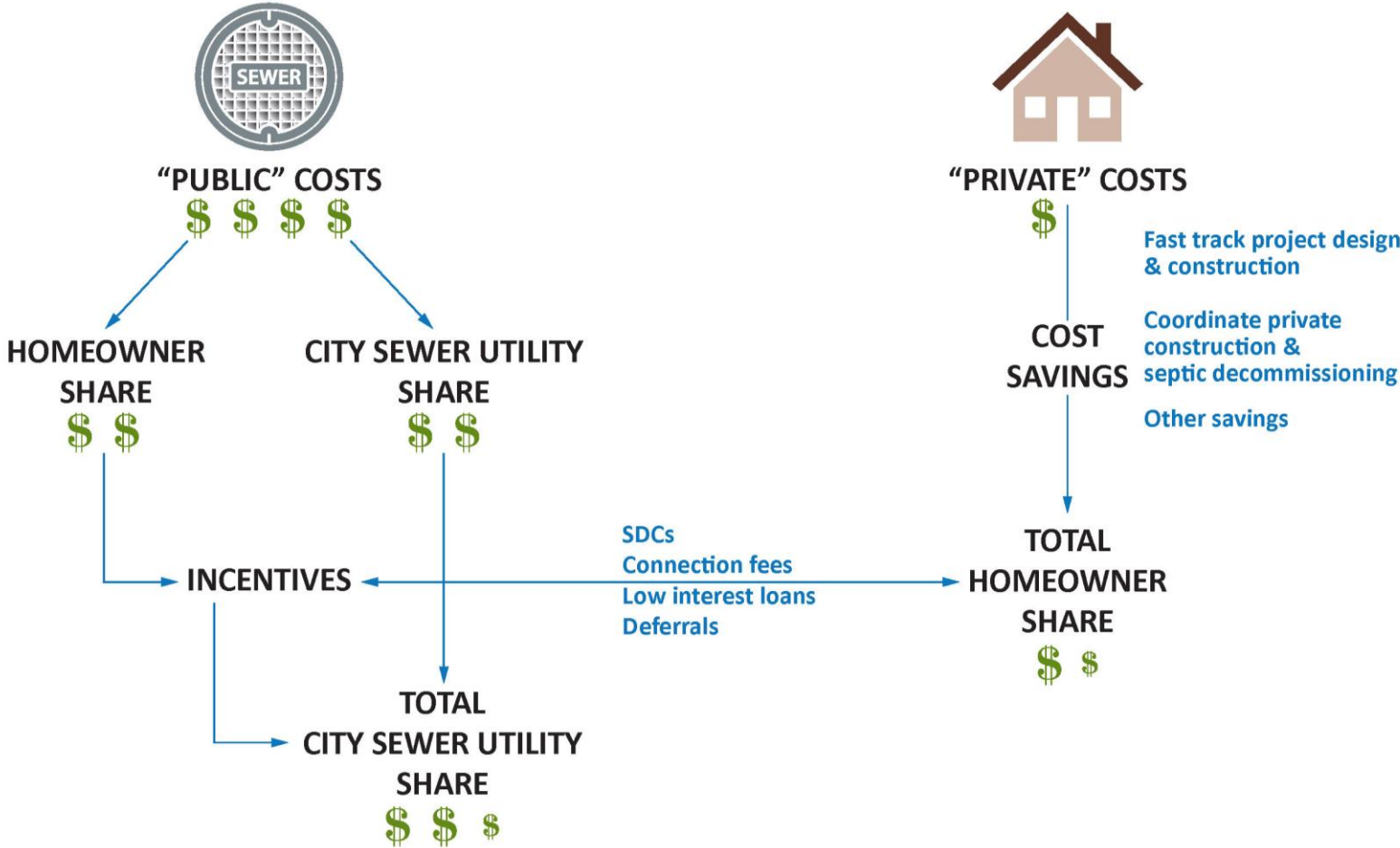
Single Family Water / Wastewater Bills as % of Household Income 1990 – 2015





- *It is recommended that “each septic tank owner homeowner finance **\$25,000**, adjusted for inflation, toward conversion and hookup – including ‘private’ and ‘public’ improvements.”*
- *“The committee deems **\$25,000** as a NTE amount all septic homeowners should bear for all public and private costs and SDCs.*

REACHING AN AFFORDABLE SOLUTION





- *“Assure no low income residents are at risk of extreme financial hardship or loss of a home.”*
- *“Safety net program waiver of some public costs (e.g., connection fee, SDC)”*



- Affordability assistance (safety nets) can generally be used to protect against two situations
 - **One-time capital costs**
 - **Monthly rates/surcharges**

AFFORDABILITY ASSISTANCE – SEPTIC TO SEWER



- **Cost sharing:** homeowners / City sewer utility
- **Cost savings**
 - Fast track project design & construction
 - Coordinate private construction & septic decommissioning
 - Other savings
- **Incentives**
 - SDCs
 - Connection fees
 - Low interest loans
 - Deferrals

AFFORDABILITY ASSISTANCE – MONTHLY SEWER RATES



■ **Bill Discounts**

- Low-income rate

■ **Flexible Terms**

- Monthly billing
- Budget (level) billing
- Arrearage forgiveness
- Penalty forgiveness

■ **Lifeline Rates**

- Ongoing bill reduction for essential use (14 CCF/month or 13.2 gallons per day)

■ **Temporary Assistance**

- Short-term/interim assistance to prevent service shutoff

■ **Water Efficiency**

- Leak repairs and fixture retrofit program

CRAFT 3 CLEAN WATER LOANS ELIGIBILITY***



- **Properties can be owner- or non-owner occupied. Rentals and second homes are eligible.**
- **One of the following must apply:**
 - your septic system is at least 25 years old;
 - your system is failing and you have evidence to support it;
 - you have been contacted by Health Officials; or
 - you are under orders to fix your septic system.
- **Counties currently served by Craft3:**
 - Residential Oregon: All
 - Residential Washington: Clallam, Clark, Cowlitz, Grays Harbor, Island, Jefferson, King, Kitsap, Mason, Pacific, Pierce, Snohomish, Thurston, Wahkiakum and Whatcom
 - Commercial Septic Systems: All in Oregon or Washington

CRAFT 3 CLEAN WATER LOANS SUMMARY***

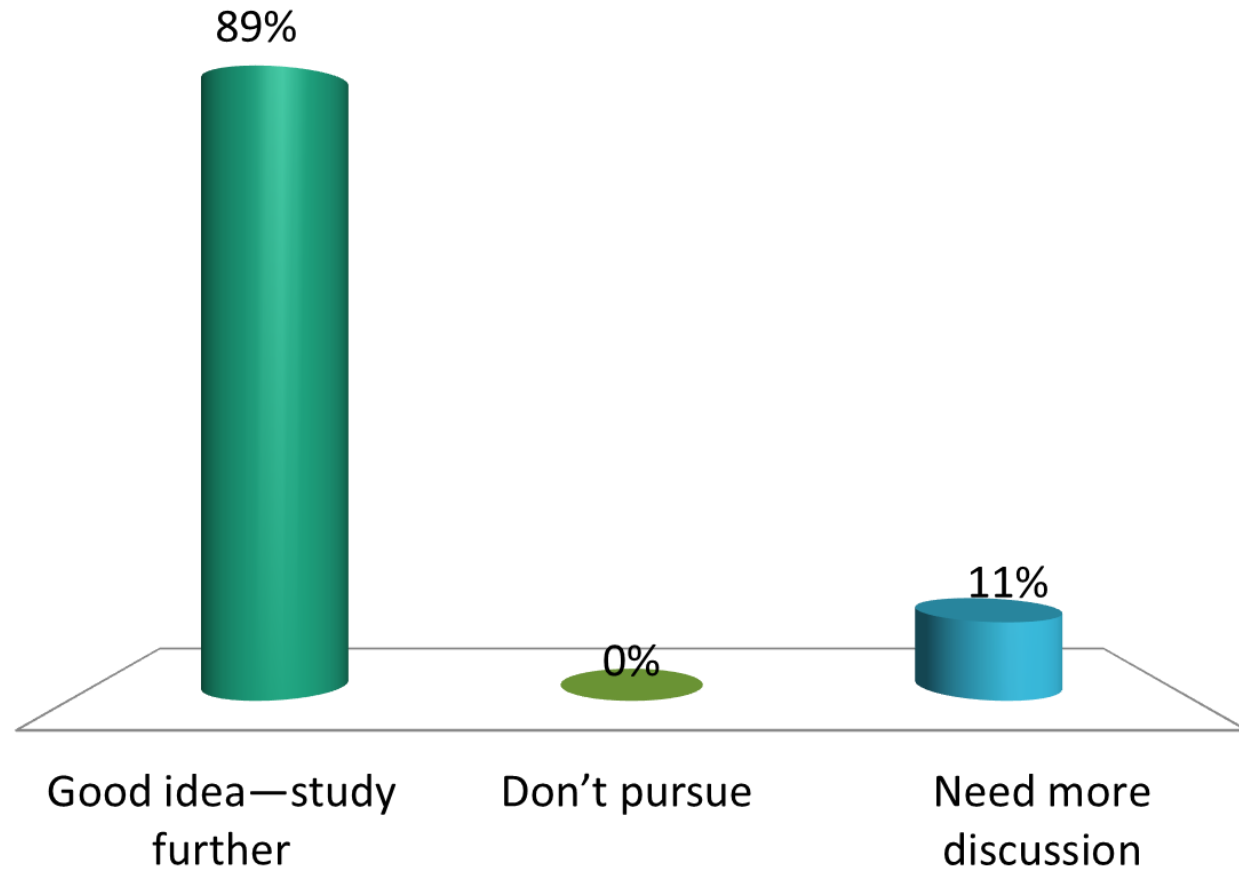


Annual Household Income	Interest Rate	Loan Terms up to 15 years	Example Project and Loan
<p>Up to \$35,000, owner-occupied</p>	<p>1.99% (2.04% APR)</p>	<p>Borrower may choose to have: Deferred payment, Interest-Only payments - or - Fully-Amortized payments.</p>	<p>Deferred Payment Option: \$15,000 loan amount, No monthly payments for 179 months, 1 balloon payment of \$19,456 due on the 180th month.</p>
<p>\$35,001 - \$55,000, owner-occupied</p>	<p>3.99% (4.36% APR)</p>	<p>Borrower may choose to have: Interest-Only payments - or - Fully-Amortized payments.</p>	<p>Interest-Only Payment Option: \$15,000 loan amount, 179 monthly interest payments of \$50.83, 1 balloon payment of \$15,051 due on the 180th month.</p>
<p>Greater than \$55,000 - or - Non-owner-occupied, rental property or secondary home</p>	<p>4.99% (5.62% APR)</p>	<p>Fully-Amortized payments of principal and interest.</p>	<p>Fully-Amortized Repayment: \$15,000 loan amount, 180 monthly principal and interest payments of \$118.58.</p>

COMMITTEE DISCUSSION

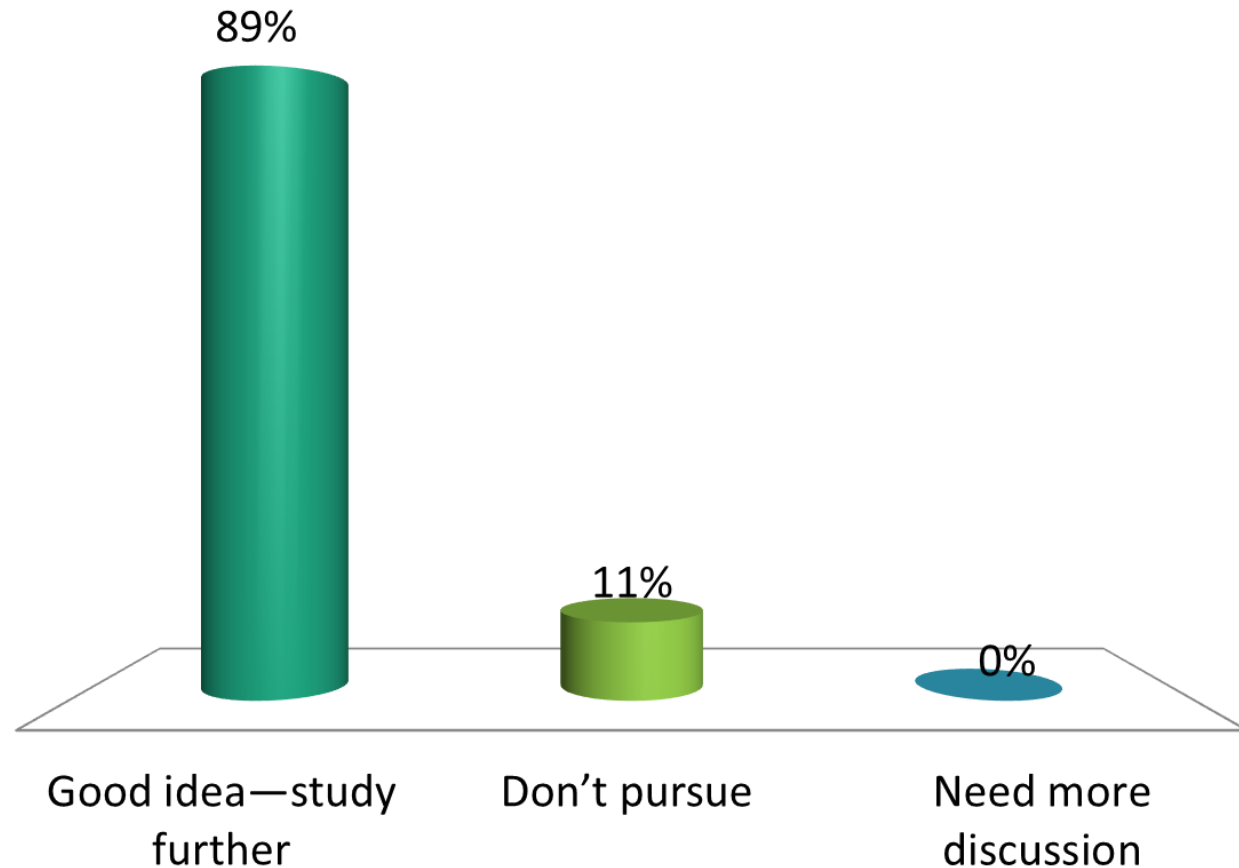
1. Adopt a policy and timeframe to decommission septic systems citywide.

1. Good idea—study further
2. Don't pursue
3. Need more discussion



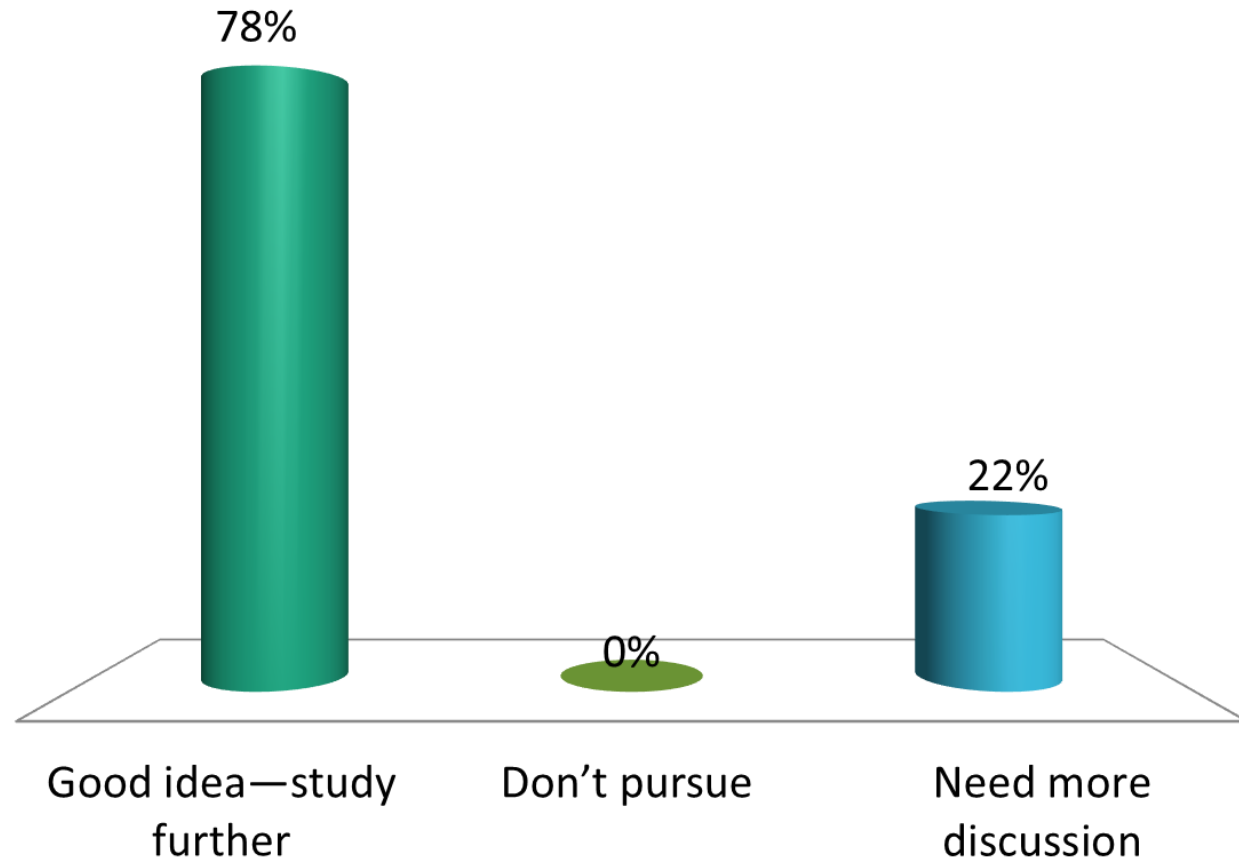
2. Establish a STEP program with full-time staff. Start process in July.

1. Good idea—study further
2. Don't pursue
3. Need more discussion



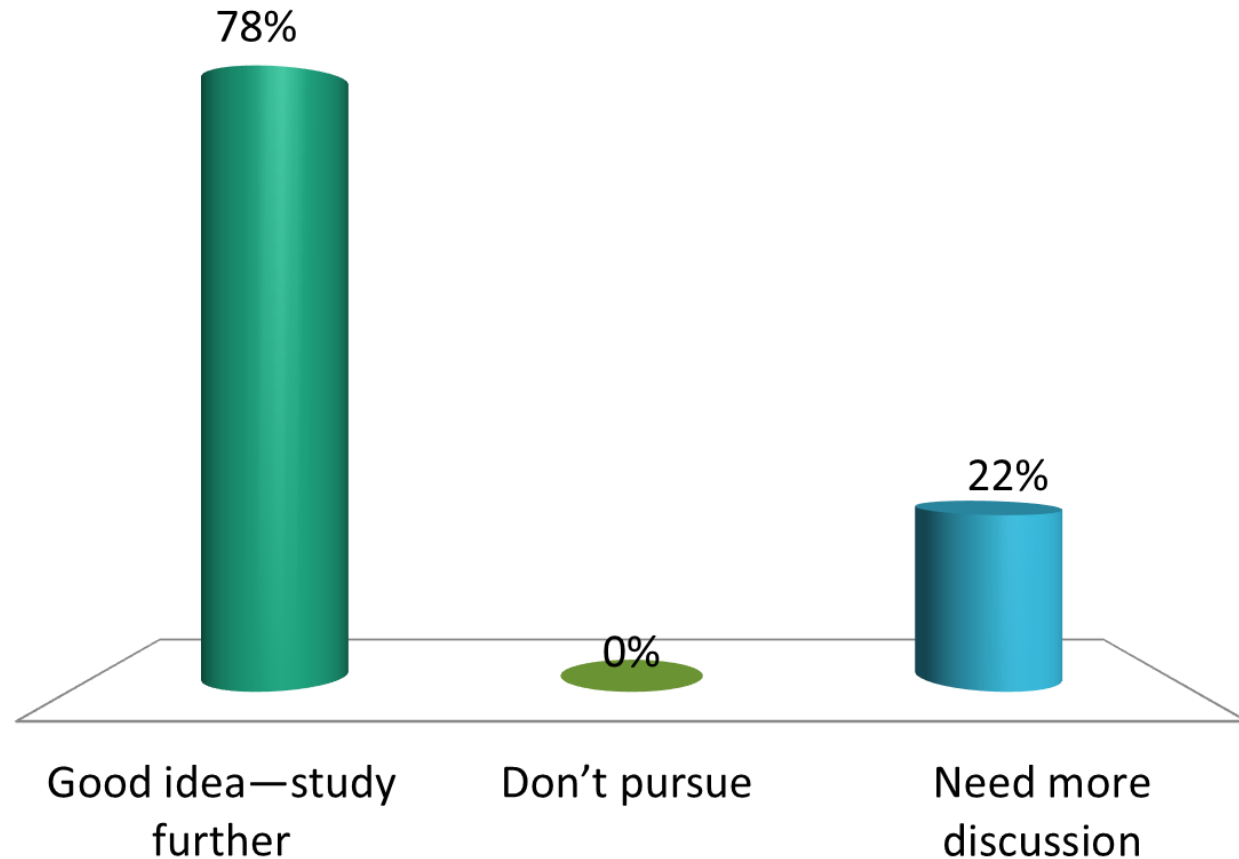
3. Connect the project area (599 lots) first—
construction to begin in 2019.

1. Good idea—study further
2. Don't pursue
3. Need more discussion



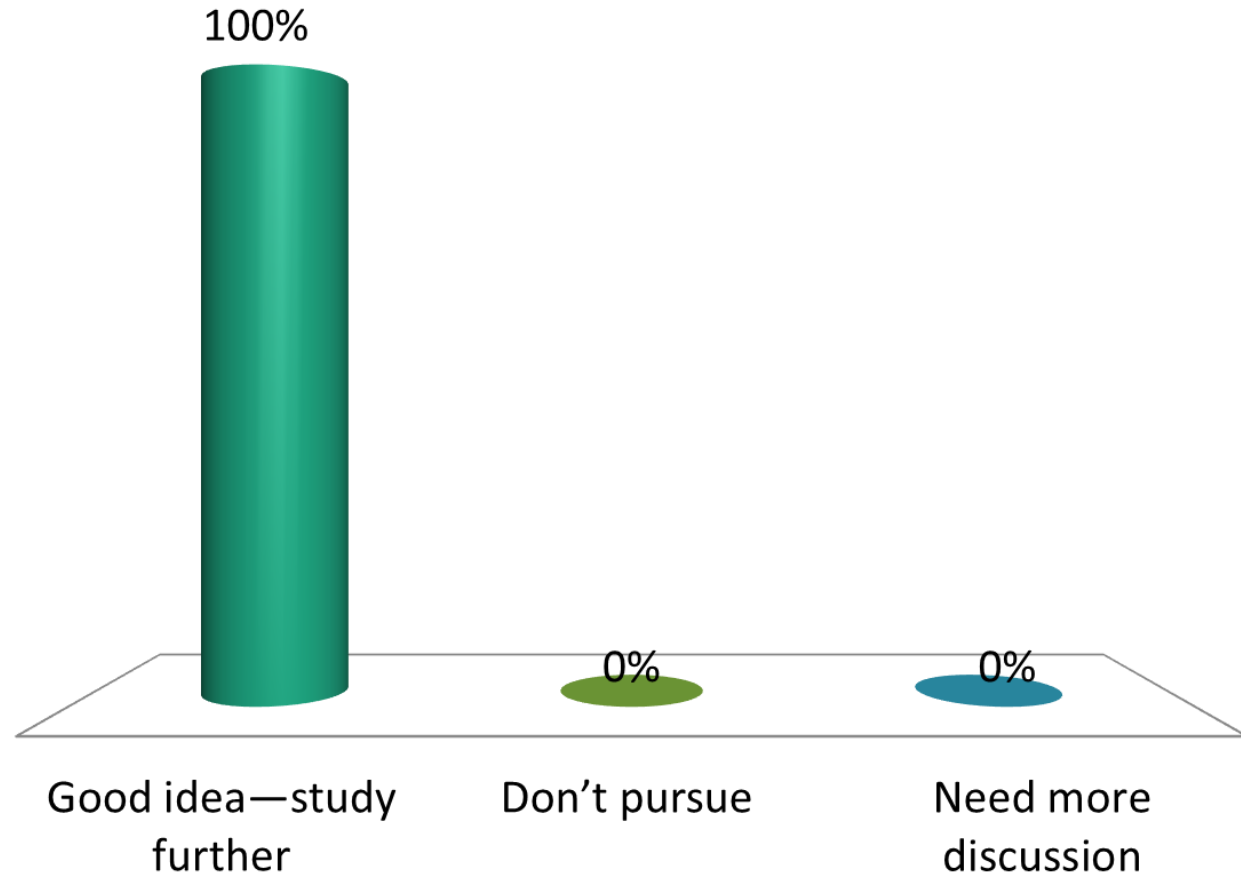
4. Bundle “private” construction to better coordinate and save money.

1. Good idea—study further
2. Don't pursue
3. Need more discussion



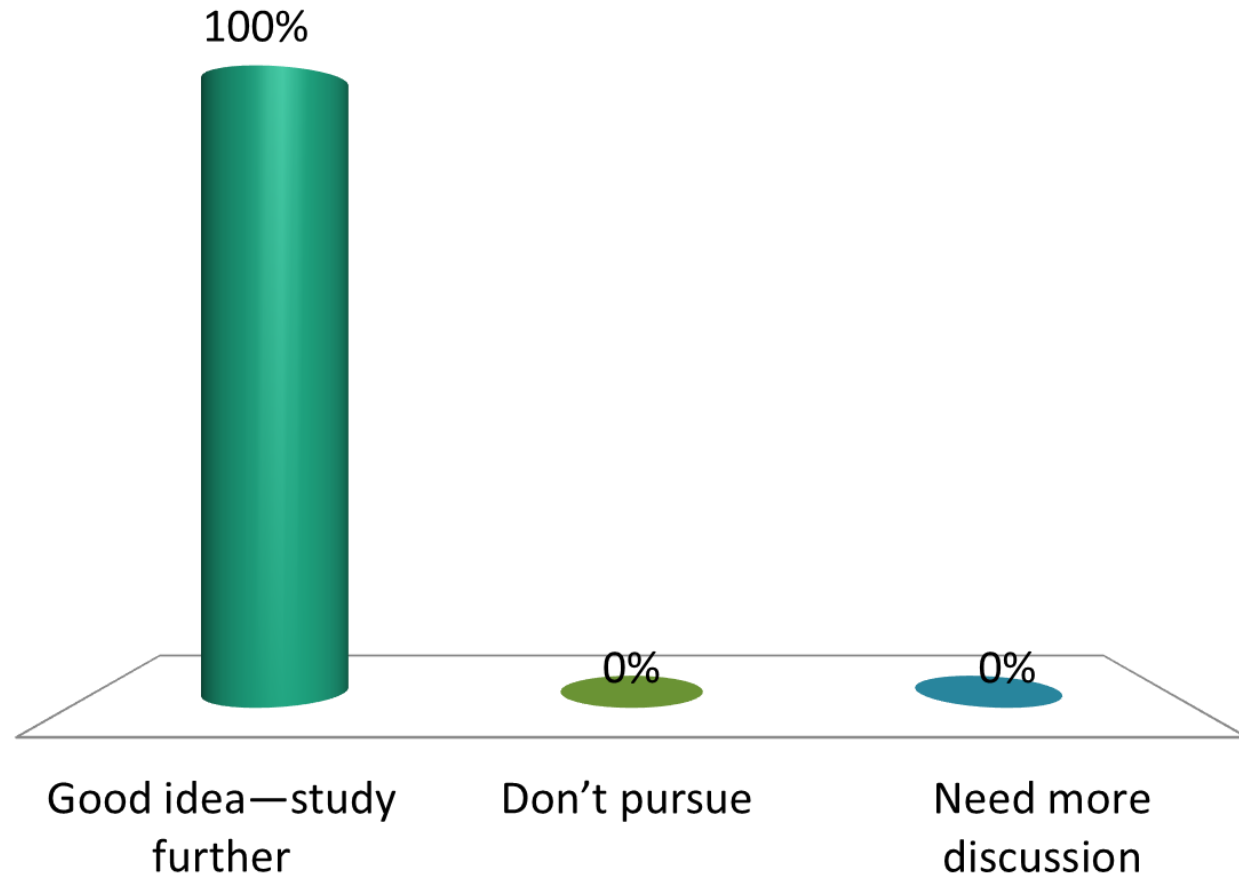
5. Promote the citywide benefits of the STEP program.

1. Good idea—study further
2. Don't pursue
3. Need more discussion



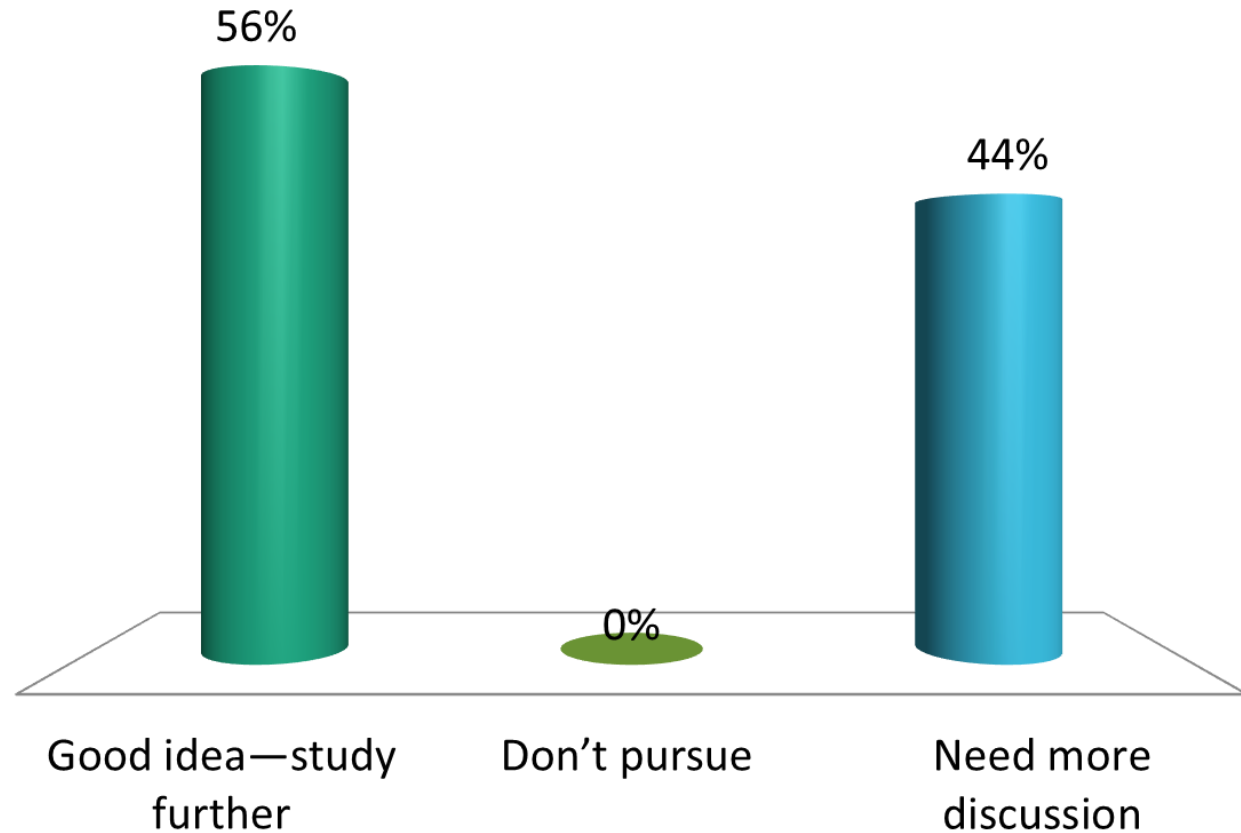
6. Establish a time-limited STEP fee to be paid by all ratepayers and septic users.

1. Good idea—study further
2. Don't pursue
3. Need more discussion



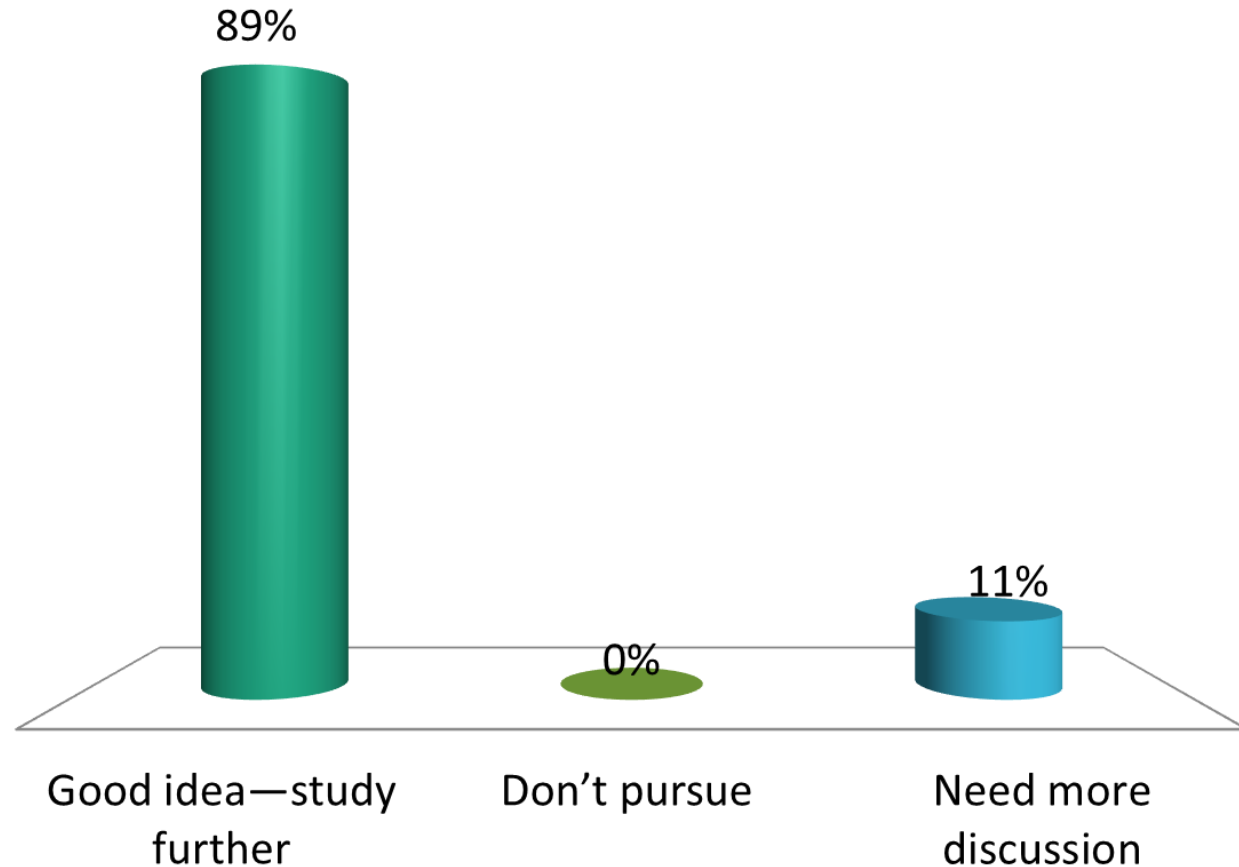
7. Standardize and limit homeowner private/public costs to \$25,000 per lot or \$250 per month.

1. Good idea—study further
2. Don't pursue
3. Need more discussion



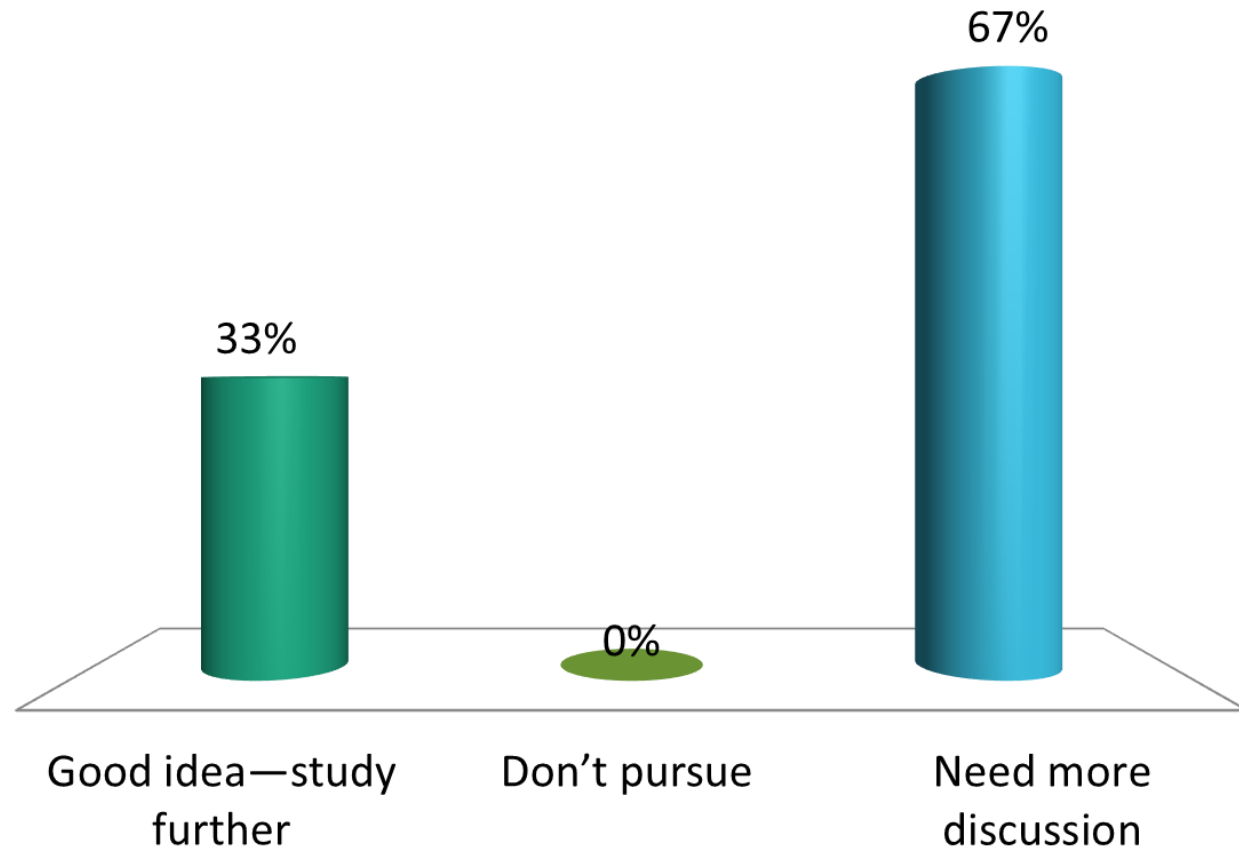
8. Implement a safety net program for low income households.

1. Good idea—study further
2. Don't pursue
3. Need more discussion



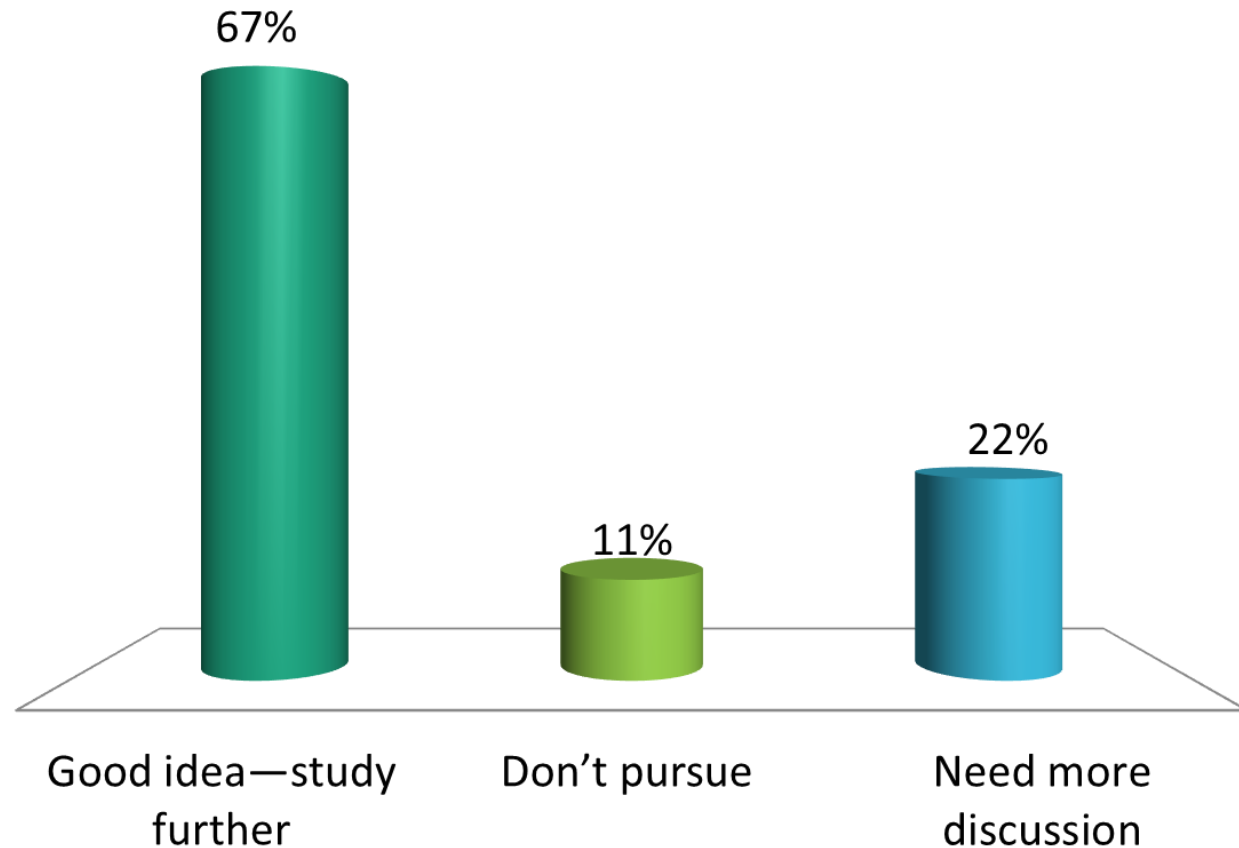
9. Credit any amounts already paid under the interim policy against the \$25,000 cap.

1. Good idea—study further
2. Don't pursue
3. Need more discussion



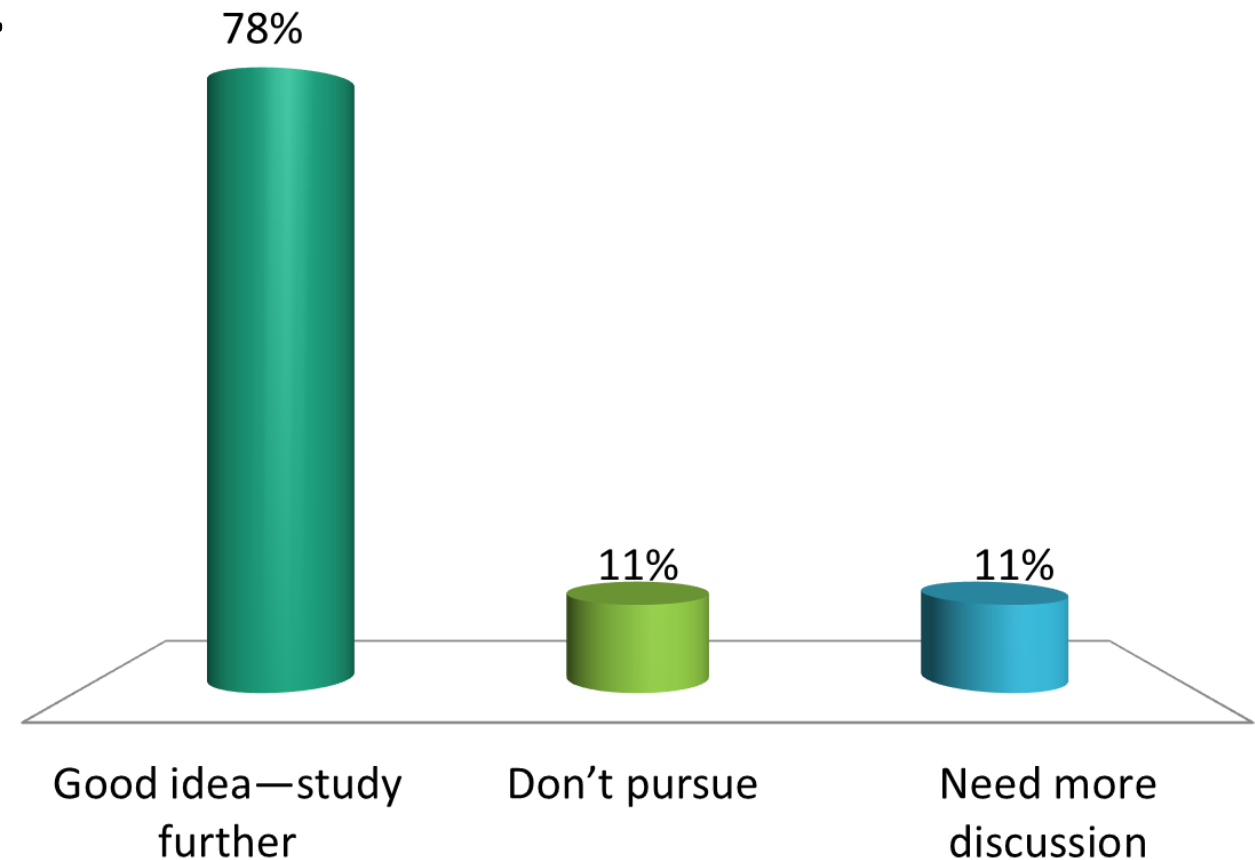
10. Use a legal mechanism (surcharge or improvement district) to assure payment.

1. Good idea—study further
2. Don't pursue
3. Need more discussion



11. Complete recommendations in June and submit to City Council in July so construction can start in 2019, contain costs, and prevent future septic failures.

1. Good idea—study further
2. Don't pursue
3. Need more discussion





- 10 minutes
- Time divided among speakers
- Comment cards available



UPCOMING ADVISORY COMMITTEE MEETINGS



Tuesday, May 15

Public Open House

Thursday, June 14

Focus on Program Components

Thursday, July 12

Draft Recommendations

THANK YOU